PRELUDE TO ECONOMIC COOPERATION BETWEEN CAPITALIST COUNTRIES IN THE 1930'S

by

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By the fall of 1933 the hectic days of the Rooseveltian "Hundred Days" were over already. This prompted the Administration to strike some sort of a balance. Only a few months elapsed since the Roosevelt Government had taken office, yet this short period was full of events which took place in quick succession. The march of time gathered momentum since March, 1933. During the "Hundred Days" the Administration took energetic measures, aimed at expediting the recovery process of the depression-hit American economy, and Congress responded to the initiatives of the Government with feverish haste, at times even overstepping the intentions of the Executive Branch.

The first measure was the consolidation of the American banking system, shaken by mass hysteria that had spread as a chain-reaction throughout the country in early 1933. Though the Banking Act of March 9 had been adopted by Congress as an emergency measure, it soon transpired that its provisions opened a new chapter in American economic policy. The immediate aim was to eliminate the banking crisis. The Executive was granted unprecedented powers in respect of the regulation of the American currency system, including the management of gold and foreign exchange transactions. By virtue of the Banking Act the Government suspended the operation of the gold standard, by prohibiting, for the duration of the national emergency, the exportation of gold. A Presidential proclamation of April 19 declared that the emergency continued to exist. Consequently, the previous measures were confirmed, the ban on the export of gold was upheld, and the Secretary of Treasury was empowered to issue licences for gold exports in strictly defined exceptional cases only. Thus, the United States, main creditor of the capitalist world and stronghold of monetary orthodoxy, definitely abandoned the gold standard. The dollar began to depreciate. The Administration was convinced that, by abandoning the gold standard and allowing the dollar to depreciate, the realization of one of the main objectives of the New Deal, viz the rise of the internal price level, was facilitated.[1]

A few weeks later, on May 12, the Agricultural Adjustment Act (AAA), aimed at the rehabilitation of American agriculture, went into effect. As one of the architects of the Act put it, the AAA was "the greatest single experiment in economic planning under capitalist conditions ever attempted by a democracy in times of peace".[2] The main objectives of the Act were to raise and stabilize farmer incomes, to mitigate the burden of farmer debts, to cut down agricultural surpluses and prevent their accumulation. The Act conferred wide powers upon the Executive, and made provisions for various methods that enabled the Administration to attack the main objectives of agricultural rehabilitation. The methods covered, on the one hand, revived devices inherited from the past, and new ones yet to be tried, on the other. Limitation of output, and compensating the farmers for such limitations, were the hard core of the methods. As a result of the fierce struggle of the defenders of farmer interests the so-called Thomas Amendment became part of the Act, and provided for the monetary weapon. By virtue of the Amendment the President was empowered to reduce the gold content of the dollar by 50 per cent. or any less proportion, to use silver for monetary purposes, and to issue "greenbacks".

Simultaneously with the debates in Congress concerning agricultural adjustment, two alternative drafts, relating to industrial recovery and alleviating unemployment by means of public works, were completed. By amalgamating the two drafts a bill was prepared and submitted to Congress. On June 16, the National Industrial Recovery Act went into effect. As Roosevelt put it, the Act was an historical experiment in government partnership with business, the purpose of which was to put people back to work, to raise purchasing power of labour by limiting hours and increasing wages, to establish decent working conditions, and to enable industry to act in unison which had been unlawful previously.[3] In fact, Roosevelt's words pointed to the contradictions of the law, the weight of which caused its collapse after two years. The President was right in saying that the Act was an experiment, for its architects attempted to reconcile conflicting interests. Its main features were the following. Essentially, big business was given the right to organize industrial production, for the industries became entitled to fix the prices of their products and to establish the terms and conditions of production and distribution within the so-called codes. The industries for which codes were established were exempted from the antitrust laws that had been enacted some decades ago with a view to curbing the excesses of combinations and to ensuring freedom of competition. Under the Act the man in the street was to be protected by Governmental supervision of the monopolies, while labour was given the right to join any trade union and to collective bargaining.

The measures aimed at the rehabilitation of industrial production and the consolidation of the economy could not yield immediate results. On the other hand, the distress of the depression-stricken masses had to be alleviated without delay. Ways and means had to be found for providing relief to the millions of unemployed, but the chief task was to find job for them. Relief to unemployed was considered by the Hoover Administration as a local affair, while the task of the Federal Government was confined to extending some loans to the states and municipalities, in support of their relief activities. This narrow interpretation of the Administration's task proved to be hopelessly inadequate under the circumstances of the depression, while the amounts of the loans, extended to local authorities, lagged far behind the needs. Under the pressure of mass distress, relief activity became inevitably a task of the Federal Government. In March and April, Congress passed, with an overwhelming majority of votes, the Federal Emergency Relief Act which went into effect on May 12. It made 500 million dollars available to the new Federal Emergency Relief Administration. This agency provided to local authorities grants-in-aid for relief purposes. However, the distress of the masses, capable of working, could be eased by relief measures temporarily only. They had to be put to work. It was the Public Works Administration, a new Federal agency set up under the National Industrial Recovery Act, which was entrusted with this task. The agency was to administer the public works program for which 3,3 billion dollars were made available under the Act. The Public Works Administration was entitled to initiate its own projects, to provide financial assistance to other federal agencies engaged in public works projects, and to extend loans and grants for similar purposes to local authorities and private firms.

There was still another important field where energetic and urgent measures were required. This was the banking system and the securities market. Public opinion held the labyrinth of the American banking system, and speculation in securities, responsible for the 1929 crash. It was generally believed that the banks and the stock exchange had provided, during the years of prosperity, unlimited opportunities for dishonest dealings with the money of the man in the street. The Truth-in-Securities Act which became law on May 27 ordered full disclosure of data in connection with the issue of new securities and imposed heavy penalties for misrepresenting relevant facts. The Banking Act of June 16 divorced commercial banking from investment; banks accepting deposits were forbidden to combine the said activity with the business in securities.

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When striking the first half-year balance of the New Deal the Administration had to admit the fact that the upswing of the economy which had lasted until July came to a standstill in the ensuing months. Moreover, the basic indicators showed a tendency of setback. As from February to July, 1933, agricultural prices had increased by about 50 per cent., but by October they fell by 7,5 per cent. from the July level. On the other hand, industrial production which had increased between April and July, 1933, by 66 per cent., fell by 23 per cent. until October.[4] There were alarming news about farmers' unrest. The farmers wanted the Administration to introduce more effective price raising policies, while Congressional advocates of farmer interests demanded consistent inflationary measures. At the same time, industrial and banking circles objected to governmental intervention, and were increasingly pressing for a return to traditional economic policies. The Administration was at the cross-roads. Two courses seemed open to it. One was to acquiesce in the demands of farmers in respect of inflation, "greenbacks", and the use of silver for monetary purposes. The other was to hold out the prospect of the stabilization of the dollar and the return to gold in a not too distant future, so as to placate the financial circles whose fetish was gold.

The Administration rejected both alternatives. It decided to give an impetus to the process of recovery by means of monetary management, and to control the inflationary curve. Thus, the extreme views of the inflationists who were reviving Populist traditions of the past century, as well as those of "economic royalists", the most intransigent representatives of the finance-capital, were repudiated. The Administration, manoeuvering between the extreme views, was looking for new devices of state intervention. Meanwhile, the Administration had to admit that in order to be able to attack successfully the endangered basic objective of the New Deal, viz. the raising of the internal price level, a more direct and efficient means was to be found than that which had been employed in the spring. Roosevelt, who willingly subscribed to the theoretical considerations on which the monetary policy of the New Deal was based, regarded the "managed dollar" concept as a lever facilitating the recovery of the American economy. However, he was not aware as to how this lever was to be applied in the new situation. It was again Professor Warren who, like in early 1933, put forward his proposals. He suggested that the Government should purchase gold at prices to be raised gradually but at a rapid pace. The aim to be achieved was stated by him to be a 41 per cent. depreciation of the dollar. He warned that the protracted debates concerning the legality of the gold purchases were bound to cause loss of time.[5]

Several motives prompted Roosevelt, who was in favour of novel and untried ideas, to approve the proposals of Warren. First of all, the proposals were in harmony with his "managed dollar" concept. Further, the Agricultural Adjustment Act empowered the Executive to lower the gold content of the dollar, and the extent of the depreciation, as proposed by Warren, was within the limits set by the AAA. The concept of the "managed dollar" seemed to be a middle course which, in case of its realization, was likely to contribute to the control of runaway-inflation tendencies. On the other hand, the concept promised protection from the recurrence of deflation. Finally, the new role of the gold was likely to arrest the attention of the finance-capital.

The legal debates were concluded to the satisfaction of the Administration. Contrary to his previous stand, the Attorney-General ruled that the President was authorized to purchase gold. Thus, there was a green light for the new experiment. In his broadcast address of October 22, 1933, Roosevelt announced the gold purchasing program, and held out to the nation the prospect of a dollar "which will not change its purchasing power during the succeeding generation".[6]

Originally, the American Government intended to confine its purchases to newly mined domestic gold, at prices somewhat higher than those ruling on the world market. It was soon realized, however, that in order to be able to control effectively the price of gold, buying policy should be extended abroad. Roosevelt and his advisers were convinced that the gold bloc, led by France, and the sterling bloc were making efforts to moderate the depreciation of the dollar. The President was particularly irritated by the manoeuvres of the Bank of England and the Exchange Equalization Fund. (The latter was given the task of checking the fluctuations of the foreign exchange value of the sterling.) With a view to neutralizing the alleged anti-dollar manoeuvres the Government announced, on October 29, its intention to buy foreign gold as well. The Reconstruction Finance Corporation, which had been authorized to administer the program, raised gradually the buying price of gold, and carried out occasional purchases abroad. The exchange rate of the dollar fell steadily, though the process came at times to a temporary halt.

In early January, 1934, the experiences connected with the gold purchases offered certain lessons. One was that the Warren theory did not come up to expectations, in that the commodity prices did not rise in proportion to the depreciation of the dollar (viz. the increase of the price of gold). Despite the support extended to the farmers the agricultural situation did not improve, and the adjustment of the structure of agricultural and industrial prices did not take place. Differences of opinion between the supporters and opponents of the monetary policy of the New Deal sharpened. The clash between relevant views within the Government led to the resignation of Dean Acheson, Under Secretary of the Treasury, who was an ardent supporter of conservative monetary policies. This step foreshadowed the growing opposition of the finance-capital, a fact that had to be reckoned with by the Administration. Finally, the news coming from abroad, relating to the gold purchases, the almost hysterical atmosphere of the foreign markets and the growing alarm of Western European countries, warned Washington to give heed to international repercussions.

The Administration came to the conclusion that the gold purchasing program was to be stopped. It was obvious that in order to be able to realize the increase of the value of American gold stocks, a fact due to the rise of the gold price, the latter should be stabilized, and Congressional approval should be obtained. Growing scepticism in respect of the Warren theory was a further factor which called for the termination of the gold purchasing program. Doubts, regarding the influence of American gold purchases on the world market gold price, were another factor. Towards the end of 1933, Jacob Viner, Professor of the Chicago University, investigated the European foreign exchange situation, and came to the conclusion that the relatively small American purchases were inadequate for influencing the external value of the dollar.[7] Finally, there were arguments to the effect that it was not the external depreciation of the dollar but the increasing domestic demand for goods was the proper weapon in the battle for higher internal prices.

The Administration decided in favour of stabilization. Thus, the monetary experiment that had lasted for almost a year and to which many hopes of the New Dealers had been attached in 1933, came to an end. A Presidential message of January 15, 1934, asked Congress to set an upper limit of 60 cents gold for the new value of the dollar, and to vest the title of all monetary gold of the nation in the Treasury. Roosevelt also suggested to the Congress to set up a fund of 2,000 million dollars, to be based upon the profits resulting from the devaluation of the dollar. The purpose of the fund was stated to be to regulate the value of the dollar.[8] On January 30, 1934, the Congress passed the Gold Reserve Act by overwhelming majority. The following day the President fixed the new gold value of the dollar at 59.06 cents at the old parity. As a result of the 40.94 per cent. devaluation of the dollar the value of the American gold stocks rose by 2,805 million dollars. The revaluation of the gold stocks made the establishment of a Stabilization Fund possible.[9]

The dollar devaluation gave some relief to the capitalist world. It was hoped that by stabilizing the American currency the unforeseeable, spasmodic monetary manipulations of the United States, that had caused repeated anxieties to the capitalist countries, came to an end. Conservative financial circles predicted American return to gold. Those in favour of international cooperation hoped for a change in the American attitude toward commitments abroad. In the opinion of such circles the United States made a decisive step in the right direction, towards assuming the role of the largest creditor country and adopting a foreign economic policy, in line with the American economic potential and the long-run interests of the capitalist world. The task of this foreign economic policy, it was asserted, was to decrease gradually the existing disequilibrium of economic relations between capitalist countries.

There were several factors, however, which indicated that the American Government did not intend to return to the pre-1933 monetary policy. Washington continued to emphasize the primacy of domestic objectives. The capitalist world was particularly irritated by the fact that Washington did not make a statement in favour of a fixed exchange rate, one of the principal requirements of the gold standard. The President, in fact, stated that the gold content of the dollar continued to be determined by the interests of the United States. In view of the objectives and methods of the New Deal this statement indicated that the value of the dollar depended on the considerations of domestic economic policy, and thus the possibility of further changes in the exchange rate was not ruled out. A further disturbing factor was that the extent of the devaluation was, as measured on the basis of purchasing power, larger than necessary. The undervalued dollar was a potential threat to capitalist countries in respect of American competition on the world market. These countries were no longer exposed to the dangers of a "floating" exchange rate of the dollar. They had to face the permanent competition of an undervalued, stabilized dollar, while the undervaluation of the American currency aggravated the difficulties of the rest of the world in selling goods to the United States. Owing to the fact that the President did not exhaust the authority, obtained by virtue of the Agricultural Adjustment Act, a probable further devaluation was an additional threat. It was an open question, therefore, whether the President intended to avail himself of the said opportunity, and if so, when. The consequence of a persistent American export surplus, fed by the undervalued dollar, was the intensification of the gold flow to the United States. This was a new challenge to the capitalist world which was suffering from a chronic disequilibrium anyway. The gold flow to the United States was given an impetus by the new gold price, 35 dollars per ounce, for it augmented the supply of foreign gold, sold with American destination. In February, the first post-devaluation month, the American Treasury bought gold valued at 400 million dollars. In March the gold purchases amounted to 237 million dollars.[10]

Events following the dollar devaluation lent support to those who had some reservations in respect of the American changes. Washington continued to insist on the "managed dollar" concept. However, there was a shift in the thinking of the Treasury. It was held that the stabilized dollar was a better means to serve the ends of the New Deal than the floating exchange rate had been in 1933. On the other hand, the capitalist world opined that this change in method, in fact, amounted to a repentance on the part of the United States which thus gave up monetary experimentation. In reality, the past months taught a lesson to the United States. In 1933 Roosevelt and his closest advisers were convinced that, by making the United States independent of the pressure of economic events abroad and by pursuing an autonomous monetary policy, the price-raising policies, supported by the depreciation of the dollar, were to make headway without obstacles. It was on the basis of this consideration that the President rejected the dollar-sterling-franc exchange stabilization draft, as proposed at the 1933 World Economic Conference.[11] The dollar stabilization reflected the change in Washington's considerations. As from 1934 it was admitted by the Administration that under given circumstances it was no longer possible to disregard the international monetary situation. Roosevelt held that the counter-measures of foreign countries, especially those of Britain, might disturb the American steps. Hence, it became the order of the day to come to an agreement with those whose cooperation had been vehemently rejected by Washington in the summer of 1933. The President instructed one of the leading banks in New York to make unofficial enquiries in London concerning the British attitude towards a dollar-sterling exchange rate stabilization agreement. The response was non-committal. Montague Norman, Governor of the Bank of England, turned down a permanent stabilization but did not preclude the possibility of an ad hoc cooperation. It was not difficult to infer from this British attitude that the protection of the dollar required the establishment of an American state agency similar to the efficient Exchange Equalization Account of Great Britain. It was felt in Washington that, failing to do this, the London manoeuvres might drive upward the dollar exchange rate. This consideration led to the decision to set up an American Stabilization Fund, to be able to keep a check on the dollar exchange rate and neutralize the British measures.[12]

To a superficial observer the American attitude might seem to have changed completely, since it was Washington which made enquiries regarding an exchange stabilization agreement, a measure that had been regarded some time back as a betrayal of domestic interests. This was not the case, however. The Gold Reserve Act did not restore gold to its throne. The United States did not return to the gold standard, the main criteria of which, viz. the internal circulation of gold, the obligation to carry out conversions at a fixed exchange rate, the freedom of gold exports and imports, were discarded. There was no change in respect of the essence and main objectives of the monetary policy of the New Deal, only its methods were adjusted to the new realities. However, the enquiries made by Washington in respect of the British attitude were a sign of a new trend in the evolution process of the "managed dollar" policy, to be implemented by the monopoly capitalist state. Washington was anxious to find a *modus vivendi* with the strongest competitor, Britain. Though the first attempt had failed, subsequent events proved that it was international cooperation which became one of the main elements of American monetary policy. This new symptom of American monetary policy already went beyond the domestic objectives, which were nevertheless stressed as before and enjoyed priority. It witnessed a willingness, on the part of Washington, to cooperate in the consolidation of the capitalist world order.

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The answer of Montague Norman, viz. the rejection of a permanent exchange rate stabilization and the cautious approval of an ad hoc cooperation between London and Washington, corresponded to the main objectives and methods of British economic policy. In 1931–32 Britain embarked upon Imperial protectionism. The main objective of this economic policy was to hammer out a bloc, with its centre in London, built upon, and cemented by, a system of monetary and commercial arrangements. The bloc was formed at a time when the depression was at its lowest ebb and economic relations of the capitalist world were disorganized. The chief *raison d'être* of the bloc was self-defence, a natural consequence of the circumstances which prevailed at the time of its birth. Its wall had to be strong enough to withstand the waves of the depression and had to foster sound economic relations within the bloc. The arrangements made by London turned Britain, previous stronghold of Free Trade, into a regulating centre of a bloc of regional protectionism. This was in accordance with the advance of the development process of monopoly capitalism. The main pillars of the bloc were monetary cooperation, based on pound sterling that had left the gold standard in September 1931, and the trade agreements concluded in Ottawa in the course of 1932. Monetary and commercial arrangements jointly intensified the integration process within the bloc.

The suspension of the gold standard in Britain was a shock to the capitalist world. The countries which were linked with London on the strength of political and economic ties had to face three alternatives. The first alternative was to keep their currencies on gold. Another was the possibility of pegging their currencies to sterling. The third alternative was to decide in favour of an independent monetary policy. As far as the countries of the British Commonwealth were concerned, the three alternatives were, in fact, reduced to one. They had no choice but to peg their currencies to sterling, with the result that the value of the local currencies decreased along with that of the pound. There were only two exceptions, namely Canada and, temporarily, South Africa. In Australia, New Zealand and Canada the gold standard ceased to work already prior to September, 1931. Subsequent steps taken by the two dominions in the Pacific differed from those of Canada. The adherence of Australia and New Zealand to the sterling bloc was a natural process, while Canada kept aloof from it which was a consequence of her close economic ties with the United States. The Irish Free State and India also joined the bloc, though not without certain internal political complications. South Africa joined the bloc in the closing weeks of 1932. The dominions and India made their own decisions regarding their adherence to the bloc, but these decisions were, in fact, dictated by the dependence of those countries on Britain, as well as by political considerations emphasizing the mutual interests of the Commonwealth countries. The colonies and other dependent territories of the Empire were not in a position to make even formal decisions. Their subordination to Britain reflected the true aspect of British rule. In addition to the hard core of the sterling bloc, there were certain other European, African and Asian countries outside the British Empire which joined it. Their decisions in respect of the adherence to the bloc were influenced by considerations similar to those of the dominions.

Monetary cooperation within the sterling bloc was based on unwritten rules, and the cohesive force of the bloc was exerted by the former world currency, sterling. This cohesive force was, in fact, economic pressure, but at the same time the bloc ensured to its members protection from the anarchy of the world market and a relative simplicity of settling international transactions. Pegging of the currencies of bloc countries to the pound signified a continuation of pre-1931 arrangements, adjusted to changed conditions. The former world currency became a means of payment flowing freely within the sterling bloc, which was convertible into other currencies and for which gold could be purchased at prevailing market prices. A significant portion of world trade continued to be settled in pounds, a fact that helped to maintain its leading role, though to a limited extent. The value of the currencies of member countries remained stable in terms of the pound, which contributed to a state of relative security within the bloc. These countries accumulated their currency reserves in pounds which cemented British monetary hegemony over bloc members. This hegemony was realized by the operation of the wide network of banks, with its centre in London.

As a rule the sterling bloc has been characterized by the bourgeois literature as an example of voluntary cooperation and common sense, based upon the realization of mutual advantages. It has often been asserted that the bloc was functioning satisfactorily despite the fact that no formal agreements had been signed, it did not possess a central machinery or statutes, but came into being spontaneously, and its existence was supported by British traditions and by the advantages of convenient arrangements. Thus, the sterling bloc has been described as an ideal solution, as a peaceful island, attacked in vain by the waves of the world economy. The reality was, however, far from being ideal. The sterling bloc was a solution which the countries in question were forced to accept. Efforts aimed at achieving independence were rendered meaningless by the economic pressure brought to bear upon them, and by the lack of economic maturity, indispensable to an independent monetary policy. Conditions required for the maintenance of some sort of a reformed gold standard (the first alternative) were lacking, too. By insisting on gold, the countries in question would have been transferred to a heterogeneous camp consisting of states with which they had no economic ties at all, or only occasional ones. They would have been compelled to acquiesce in the deterioration of their economic relations, further in the consequences of their overvalued currencies, viz. the drying up of their exports and the increase of their imports, and finally in the depreciation of their reserves held in sterling. This state of affairs would have led inevitably to administrative regulations in respect of their international payments and to monetary and trade restrictions. The countries in question were obviously not in a position to run this risk. They were incapable of freeing themselves from the dependence on London.[13]

The consequences of dependence on Britain were felt by the members of the British Commonwealth in the field of trade as well. The prelude to the new British commercial policy was the Import Duties Act of March 1, 1932. Under the Act protective duties were levied on manufactured goods but imports from the British Commonwealth were exempted. London thus began to erect discriminatory protective tariff walls around the Empire. These steps were, in fact, a belated answer to the excessively protectionist Hawley-Smoot Tariff Act that had been passed in 1930 in the United States. The bulk of the exports of the dominions to Britain consisted of foodstuffs and raw materials, so that the provision relating to exemption from protective duties was of little practical value to the members of the Commonwealth. As Bruce, Delegate of Australia, put it, the preferences granted under the Act were "a somewhat tardy response for the benefits from Australia long enjoyed by British industry".[14] The words of Bruce indicated that the dominions demanded gains on the British market, in return for their services.

The Imperial Conference, held in Ottawa in the middle of 1932, was a further step towards establishing a system of British protectionism. The aim was stated by Baldwin, Head of Delegation of the United Kingdom, to be "to clear out the channels of trade among ourselves".[15] Baldwin deemed it advisable to stress that the purpose of the new British commercial policy was not to isolate the Empire from the rest of the world. As he put it, "there are two ways in which increased preference can be given – either by lowering barriers among ourselves or by raising them against others." By suggesting adoption of the first method Baldwin wanted to convince the capitalist world, which watched with vivid interest the Ottawa events, that the method as suggested by him was not detrimental to countries outside the Empire, while the second alternative would injure the interests of such countries. It was obvious, however, that an improvement of intra-Empire trade was bound to worsen the trade relations of member countries of the preferential system with the rest of the world, whatever method of preferential treatment was to be chosen. The general statement of principle, adopted in Ottawa, evaded this fact. According to the wording of this statement, "by the lowering or removal of barriers among themselves... the flow of trade between the various countries of the Empire will be facilitated, and... by the consequent increase of the purchasing power of their peoples the trade of the world will also be stimulated and increased".[16]

The essence of the preferential tariff system, established in Ottawa, was reflected, however, by the terms of the agreements concluded rather than by declarations. The tariff area that came into being was not based on mutual advantages. It intensified, to the advantage of Britain and to the detriment of the rest of the area, the existing inequalities in intra-Empire trade. At the same time, Imperial protectionism created a new kind of effective discrimination at the expense of the rest of the world. Thus, the newly born system contributed to the disintegration process of the capitalist world.

The said inequalities were obvious from the outset. The dominions were called upon by London not to impose, on goods imported from the United Kingdom, higher duties than necessary to protect "reasonably efficient" domestic industries. Thus, London wanted to reduce to the lowest possible level the competition of the relatively underdeveloped industries of the dominions, and intended to afford possibility for arbitrary interpretations of the criteria of "efficiency". At the same time, the dominions were not granted, as a rule, duty reductions but were assured of the maintenance of existing benefits, viz. free entry of certain goods or preferential treatment of others, in the United Kingdom. In connection with certain agricultural produce for which quotas had been fixed by the United Kingdom, adequate shares in imports were promised to the dominions, but in determining such shares the interests of producers in the United Kingdom were to be safeguarded.

Measures taken subsequently in respect of the rest of the world contradicted the principle that had been enunciated by Baldwin in

Ottáwa. The operation of the preferential system was based on disadvantages to be borne by the rest of the world. A considerable portion of the benefits accorded by Britain to the Commonwealth was ensured by imposing new or increased duties on similar goods imported from the rest of the world, and the dominions did the same in a number of cases. The agreements concluded by the United Kingdom with the dominions were to run for five years, without the possibility of their termination prior to expiry. This arrangement served to strengthen the system, but it was a blow to the rest of the world because it predicted lasting discrimination at the expense of extra-Empire countries. These countries were also hit by an Ottawa resolution to the effect "that no treaty obligations into which they (viz. the contracting parties) might enter in the future should be allowed to interfere with any mutual preference which Governments of the Commonwealth might decide to accord to each other, and that they would free themselves from existing treaties, if any, which might so interfere".[17] The United Kingdom defended the bloc, established by means of the preferential tariffs and the cohesive force of the pound sterling, also with the application of the most-favoured-nation principle, though in a distorted interpretation. She made it impossible for foreign countries to lay a claim, on the strength of the most-favoured-nation principle, on the tariff rates established in Ottawa, but on her part she was demanding all the benefits accorded by other countries to each other, by referring to the most-favoured-nation principle.

Foreign trade of Britain reflected in the thirties a process as shown hereunder:[18]

Imports (as percentages)

	1929	1932	1933	1934	1935	1936
From						
the Empire	28.8	35.4	36.9	37.1	37.6	39.1
foreign countries ...	71.2	64.6	63.1	62.9	62.4	60.9
	100.0	100.0	100.0	100.0	100.0	100.0

Exports (as percentages)

	1929	1932	1933	1934	1935	1936
To						
the Empire	43.9	45.3	44.5	46.9	48.0	48.9
foreign countries ...	56.1	54.7	55.5	53.1	52.0	51.1
	100.0	100.0	100.0	100.0	100.0	100.0

The above data demonstrate two tendencies. The proportion of the trade of the United Kingdom with the rest of the Empire increased while that with foreign countries outside the preferential system decreased. Yet, in addition to the Ottawa agreements, there were other factors at work, too. Thus, the above trend cannot be attributed solely to the operation of the preferential system. Such factors were the following: the depreciation of sterling, facilitating British exports to, and hindering British imports from, the rest of the world; the gradual recovery of the British economy; the price increases of certain raw materials on the world market. The effect of these factors could not be measured separately; their existence parallel with the operation of the preferential system made it impossible to analyze the working of the latter, separated from other factors.

The United States bitterly objected to the Ottawa agreements, and regarded the British tariff system as an attack upon the unity of the world economy. In virtue of the Reciprocal Trade Agreements Act (RTAA) of June 12, 1934, the Roosevelt Administration adopted the principle of non-discrimination, and proclaimed the policy of "new free trade" based on equal opportunities. Washington condemned all artificial barriers which paralyzed international trade and hampered the operation of "natural forces" that had facilitated the flow of trade in the past. The American trade policy promised the liberalization of international commerce by means of gradual reductions of tariff rates. Behind the Washington doctrine that appealed to the capitalist world there were two connected tendencies. In the fourth decade of the 20th century it was no longer the British interests which demanded the revival of the idealized state of affairs of pre-1914 decades. American interests were in need of the doctrine. The superiority of American goods, supported by technological progress, was about to become incontestable on the world market, but the trade barriers erected throughout the world prevented the realization of this superiority. However, those barriers stood in the way of the export offensive of other capitalist countries as well. Thus, the elimination of the barriers seemed to be a common interest. It was asserted by protagonists of trade liberalization that national efforts, aimed at self-sufficiency, impeded a rational use of productive forces and the international division of labour; hence it was impossible to achieve the levelling of economic relations and the consolidation of the capitalist world. On account of the shift in the balance of power which had taken place to the detriment of European capitalist states, the United States was bound to become the leader of the normalization process of capitalist economic relations. This role implied paving the way for American economic expansion. In addition, it implied serving the prospects of the consolidation process of the capitalist world order. Yet, American monopoly capital disregarded the fact that the conditions of the thirties were far from being favourable for laying the foundations of trade relations, based upon non-discrimination and freed from restrictions. It wanted to force its trade doctrine upon the capitalist world at a time when the depression-hit capitalist countries, overburdened with war debts, defended the remainder of their gold and foreign exchange reserves by means of an arsenal of trade and monetary restrictions, and were forcibly developing their domestic industries and agricultural production behind protective walls.

Though the main target of American assaults was the British preferential system, the United States attacked with similar vehemence the bilateral agreements concluded by Britain with European and Latin American countries. Washington regarded these agreements as products of bilateralism, and condemned them in the name of the American doctrine of multilateralism. The "new free trade" was opposed to the practice of forcing trade into the narrow channels of bilateral relations, and rejected balancing of accounts between pairs of countries. Bilateralism, it was asserted in Washington, destroyed the unity of world market, narrowed and distorted the flow of international trade and payments, bred discrimination. State intervention was accused of paralyzing international competition and fostering inefficient economic activities behind protective walls, and all these charges were linked with the disavowal of bilateralism. British methods of bilateralism were assailed by the United States because Britain wanted to acquire larger shares of the shrinking world market than she was deemed to be entitled to. Further, Washington resented the fact that, in virtue of the agreements concluded, the United Kingdom was capable of ensuring a relative stability to the system of her bilateral arrangements, and of extending her influence beyond the sterling bloc and the preferential system. Washington paid particular attention to British-German economic relations which were developing steadily, while American-German relations were deteriorating. It objected vigorously to the British-German payments agreement, concluded in 1934, because it accorded advantages to British creditors at the expense of American ones.

Washington condemned forcefully the bilateral trade and payments practices, employed by Fascist Germany, too. Relevant measures were accompanied by steps denouncing Nazi political policies. This subject does not fall within the scope of this paper.

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After 1933 the West was divided in two camps in respect of the main features of economic and monetary policy. The United States, Britain, and the countries under their influence were forming one camp. Freed from the shackles of the gold standard these countries were availing themselves of the opportunities offered by the depreciation of their currencies, and were giving impetus to the recovery of their national economies by expansionist domestic economic policies. A common feature of these policies of the two leading Western countries was that monetary measures were accompanied by various devices of state regulation, thus giving incentive to home production and distribution. The methods differed however. The other camp was the so-called gold bloc, the hard core of which consisted of France, Belgium, the Netherlands, Switzerland, and, for some time, Italy. These countries insisted on maintaining the gold standard, and had to resort, as a consequence of their decision, to restrictive domestic economic policies.

American economic penetration was resisted not only by the economic bloc led by Britain. The gold bloc countries, mainly France, were standing in the way of this penetration, too. The depreciating dollar was a formidable threat, and France tried to neutralize the pressure of American goods by imposing import restrictions. It was of vital importance, it was held in Washington, to do away with the French barriers. France, on her part, was interested in halting the depreciation of the dollar. As a consequence of the failure of the 1933 World Economic Conference the American-French controversy remained unsettled, and was embittered by the negative French attitude regarding the repayment of debts owed to the United States.

By maintaining the gold standard, the countries of the gold bloc had to acquiesce in the relative overvaluation of their currencies. This stimulated imports into the bloc. Simultaneously with defending themselves against the inflow of goods from countries with depreciating currencies, the members of the gold bloc made efforts to encourage trade among themselves. Yet, such efforts were of no avail because the national economies of the gold bloc countries were not complementary. Trade interests clashed within the bloc, mainly on account of the aggressive French export policy. Intra-gold bloc trade, with all its deficiencies, could not make up for economic relations with the rest of the world. The gold bloc was an island, trying to lessen dependence on the world market that was divided on account of the struggle between the United States and Britain, but at the same time intra-gold bloc trade was an imperfect channel which fell short of expectations.

Gold bloc countries were adopting domestic economic policies which were opposed to those of Washington and London. While the latter were carrying out expansionary measures, the gold bloc states were turning down consistently currency depreciation that was deemed to lead inevitably to inflation. Consequently, they had to choose the alternative of deflation. The results were economic stagnation, chronic unemployment, and worsening political tension, the latter being a characteristic of France. Though the failure of deflationary measures was obvious, the gold bloc countries continued to insist on the illusion that the gold standard was a symbol, moreover the safeguard, of stability. They were not prepared to admit that the gold standard, called „golden calf" by Keynes, ceased to function as an *international* standard, and became a fetish of a few countries only, leading to stagnation instead of stability. It was disregarded that the gold standard ceased to operate in the traditional way even within the bloc itself. The considerable gold stocks of countries adhering to the bloc[19] were facilitating the observation of the rules of the game, as prescribed by the post-war version of the gold standard. Yet, the criteria, which had characterized the operation of the traditional gold standard in pre-1914 days, were lacking, viz. the freedom of international trade, high levels of economic activity and employment, ample credit, internal circulation of gold, unlimited conversion.

The gold bloc was established with a declaration signed by six countries on July 3, 1933, the very day when the „bombshell message" of Roosevelt created an almost hysterical atmosphere at the World Economic Conference. The declaration confirmed the monetary cooperation between the signatory countries, and was, in fact, a response to the failure of the Conference.[20] In autumn, 1934, the gold bloc reaffirmed its loyalty to gold, but the published documents contained a new element, too. International cooperation, and the fact that the operation of the gold standard was but one factor contributing to the economic recovery of the world, were strongly emphasized. The documents called for the intensification of trade contacts, both within the bloc and with the rest of the world.[21]

The emphasis on trade contacts with the rest of the world was a vague gesture addressed to the United States which had already given up the 1933 monetary policy and had proclaimed the liberalization of international trade. But the gold bloc continued to insist on gold, and worldwide restoration of the gold standard was regarded as the best avenue to international cooperation. Yet, subsequent developments proved that the hopes in respect of an American return to gold were unfounded, and that Britain rejected the restoration of pre-1931 conditions. The gold bloc was clearly on the defensive.

France had the worst experiences with the operation of the gold standard. The short-lived governments were unable to master the chaotic economic situation. Overhasty measures were adopted. Rigid deflationary steps were followed by promises regarding credit expansion and stimulation of the economy, coupled with deflationary devices. The Laval government which had taken office on June 7, 1935, was given full authority in the field of finances. It issued a number of decrees aimed at a comprehensive system of deflationary measures. The main objective was to avoid devaluation. Economy in state expenditures and a network of restrictive arrangements were deemed to be the proper means to combat depression. This policy had disastrous consequences. Unemployment increased, the volume of construction fell back to the half of the 1930 level, the output of base materials declined, foreign trade decreased to one third of the 1929 value, about 20 per cent. of the gold stocks had to be sacrificed. The bank-rate was raised to 6 per cent., which held back economic activity.[22] The restrictive economic policy was accompanied by a protectionist import policy. The level of French tariffs was on the increase since 1919. Due to the fact that under the conditions of depression the tariffs did not provide adequate protection, the Government introduced quantitative limitations of imports; by the middle of the thirties, out of 7000 items of the tariff schedule 3000 were liable to quantitative limitation, of which two thirds were manufactured goods. The extent of the quotas depended upon the benefits obtained for French exports.[23] Thus, France followed the same tactics as the United States. She manoeuvred with the granting of quotas, while the United States did the same with import duty reductions.

The situation in the rest of the gold bloc was similar. Living under the pressure of gold dogmatism these countries were unable to find an alternative to deflation. Their economies seemed to move in a magic circle; restrictions, introduced to improving the situation, led to more complicated circumstances. Belgium was the weakest among bloc countries. (Italy introduced exchange control in 1934, so that she was no longer regarded as a member of the bloc, despite the formal maintenance of the gold standard.) Belgium was unable to resist the repeated attacks of speculators on the franc, and was forced to devalue. The 28 per cent. devaluation did not improve the situation, however.

Developments within the gold bloc demonstrated that the economic policies of the member countries were unsuccessful. The gold standard did not ensure stability of the exchanges; crises occurred frequently. Domestic and foreign capital persistently speculated for the fall of gold bloc currencies. Occasionally, there was a panic; currencies of bloc members were sold on a large scale, and there was a massive outflow of gold. The indicators warned that economic developments within the bloc were the opposite of those which characterized the situation in the countries that had left gold. In the period under review, industrial output increased by 50 per cent. in the sterling bloc and by 25 per cent. in the United States, while it rose by 12 per cent. in the gold bloc. The number of unemployed increased in the gold bloc, but in Britain and the United States it decreased. Similar contrasts characterized the trends of foreign trade.[24]

The chronic crisis of the gold bloc produced a paradoxical phenomenon. The vulnerability of gold bloc currencies caused anxiety in Washington and London. It was held that the devaluation of those currencies might give a fresh impetus to the struggle on the world market. Therefore, the United States and Britain extended temporary assistance to the endangered currencies. The same was done by the Bank for International Settlements in Basle. Thus, the leading capitalist powers which had left gold came to the rescue of their competitors. The maintenance of the gold standard in *other* countries became an important task for those who had abandoned it.

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Events following the Great Depression furnished sufficient evidence that no lasting results could be expected of national efforts aimed at self-sufficiency, and that such efforts were frustrated by developments which took place elsewhere. The experiences pointed to the interdependence of the countries in the West. Yet, the fact that the consolidation of the economies of Western democracies required the elimination of autonomous measures, and the adoption of new forms of cooperation, was not readily realized.

Cooperation became the order of the day. This was substantiated by world politics, too. In 1935, the Fascist states provoked twice the West. The unilateral repudiation of the military provisions of the Versailles Treaty as well as the unprovoked attack on Ethiopia furnished evidence in respect of the aspirations of the Fascist powers. However, the political policies of the Western democracies did not come up to the exigencies of the time. The fundamental principles of American foreign policy were non-involvement in international conflicts, and „impartial" neutrality, as codified in the neutrality legislation. The two leading states of the League of Nations, France and Britain, sought *modus vivendi* with the Fascist powers. As a result of the steps of the West the cracks in the edifice of the postwar international order incessantly widened. Yet, the necessity of cooperation came to be realized, though retarded by Western policies.

The key to economic cooperation between Western democracies was in Washington. The mitigation of the disequilibrium, in fact the main problem of economic relations, depended on the American attitude, and required American initiatives in the fields of exchanges, finance, and trade. The dilemma of finances had its roots in the World War. The painfully built structure of war debts and reparations broke down in 1932–33. The debtor countries were anxious to know as to whether Washington would be prepared to give up American claims in respect of the war debts, in the interest of a more balanced world economy. They also held out a hope of a renewal of American capital outflow which had given impetus to the recovery of the rest of the capitalist world in the twenties, but came to a standstill in 1929–30. In the field of monetary policy the countries of Western Europe were waiting for the cessation of American experimentation, in the interest of sound monetary relations which, it was held by many, were to bring about the revival of the gold standard, though reformed to some extent. Finally, they were anxious to see the excessive protectionism of the Republican era discarded.

What was Washington's response?

So far as war debts were concerned Washington remained adamant. A radical solution, i.e. cancellation, of the debts would have required Congressional approval, but the isolationist mood of the country ruled out such an attitude at Capitol Hill. The Roosevelt Administration had to avoid a show-down in Congress, but apart from this it did not intend to change the policies of its predecessor in this respect. The Johnson Act, passed in 1934, which forbade the extension of credits to countries in default on their debts, was a blow to those who held out a hope of a renewal of American capital outflow. Aimed at punishing recalcitrant debtors, the Johnson Act intensified the isolationist mood. In the field of commercial policy, Washington proclaimed the trade liberalization program, associated with Secretary of State Hull. However, implementation of the program proved to be a slow process. In the first years, the trade agreements were concluded mostly with countries of secondary importance. The significance of such agreements fell short of expectations of

Washington. Thus, the program inspired mainly the representatives of orthodox economic thought, who regarded it as a lever of prospective liberalization of world trade. On the other hand, the emphasis on export promotion, and on the primacy of American exports, alarmed those in favour of mitigation of world economic disequilibrium. The chief rival, Britain, was rather cautious when she was approached by Washington, suggesting trade talks.

The prospects of monetary cooperation were not brighter either. The undervalued dollar remained a permanent menace to international economic relations, and contributed to a persistent American export surplus which had to be settled ultimately in gold. One of the sources of the massive gold flow to the United States was, then, the undervalued dollar. Other sources were speculation and the flight of capital from overseas countries in search of security. As a result of these factors the value of American gold stocks rose from 8,238 million dollars in 1934 to 10,125 million dollars a year later, and to 11,258 million dollars at the end of 1936.[25] The large gold quantities which reached the United States were not allowed, however, to become the stimulants of American credit expansion, hoped for in the rest of the capitalist world. The Administration took steps with a view to preventing the gold inflow from exerting inflationary pressure. Consequently, foreign gold was in fact „sterilized", and did not swell the American credit base. Foreign gold was a deadweight to the United States, while it was badly needed elsewhere. The flow of gold to the United States aggravated the inequalities in the distribution of the capitalist world's gold, thus intensifying disequilibrium.

From the foregoing it appears that in the first two years of the Roosevelt Administration the United States gave little evidence of her readiness to assume the role of the stimulant of international economic cooperation. Still less was she prepared to make sacrifices in order to lessen disequilibrium. This attitude was based on the economic considerations of the New Deal. The statement of Roosevelt, made on the occasion of his inauguration in March, 1933, was still valid. Accordingly, practical policy required "the putting of first things first". The Administration's efforts had to be concentrated on the slow and painful process of recovery.

The doctrine of neutrality was another powerful factor retarding American initiatives in respect of international economic cooperation. The State Department was responsible for the enforcement of the doctrine of neutrality, and it kept a firm hand on this task. Secretary Hull was anxious to be on good terms with Congress. He frequently called the attention of the President to the balance of forces in Congress, recommending restraint in connection with certain steps of the Executive. This, in fact, amounted to warnings in respect of the isolationist mood at Capitol Hill. For Hull, there was only one field of economic relations which really mattered. It was foreign trade. In his view, a consistent implementation of his program was by itself a remedy for the ills of the world economy. He was not interested in other spheres of economic relations, viz. monetary and financial matters, which fell within the competence of the Treasury

This division of labour was an obstacle to a consistent foreign economic policy. Strained relations between the two Ministers had the same effect. Morgenthau, the dynamic Secretary of Treasury, who was on friendly terms with the President, objected to the overcautious policies of Hull which, he asserted, hindered a more active American foreign policy. Morgenthau was particularly irritated by the pro-British attitude of Hull, and Roosevelt shared the views of the Secretary of Treasury. The President held that the chief rival and opponent of the American foreign economic policy was Britain. Also his foreign policy considerations were more akin to those of Morgenthau, who was a consistent enemy of Fascism, while Hull was less outspoken. As a result of the division of labour within the Government Morgenthau had to be content with monetary matters in the field of foreign economic policy. Consequently, he tried to consolidate Western cooperation in the monetary field, thus contributing to the strength of the Occident.

As from 1935, Morgenthau began to hold the view that the position of the dollar was dependent on foreign developments. He paid attention to exchange rate changes of the French franc and the pound. The problem of exchange stabilization was viewed from a different angle. He became sceptical in respect of the Warren theory. He refused to raise again the gold price, and contended that a higher price might compel the countries, still on the gold standard, to devalue. Morgenthau opined that such a process would lead to an appreciation of the dollar, endangering thereby the competitiveness of American goods. His favourite idea was an American-French "stabilization entente", to which Britain might adhere in due course. Explaining his plan to the French Ambassador, he stressed that the United States and France, possessing the bulk of the gold stocks of the world, were in a position to induce Britain to join the "entente."[26]

With the approval of Roosevelt Morgenthau began to act. In his radio address of May 13, 1935, he made it clear that the United States would not prevent a prospective exchange stabilization, should conditions become ripe for it. This announcement was the first American official declaration in international monetary matters since the summer of 1933, and was received with mixed feelings abroad. The readiness to cooperate was greeted with enthusiasm by those in favour of developing economic relations. They considered it as a turning-point in American monetary policy. Others were puzzled by the statement of Morgenthau to the effect that the United States was not prepared to give up the right to change the gold content of the dollar.[27] The assertion of freedom of action roused unpleasant memories: The American initiative was answered by London with polite utterances which, in fact, amounted to a refusal. In his statement of May 16, Chamberlain, Chancellor of the Exchequer, declared that the effects of the cheap-money policy and of the moderate tariffs were about to be felt at the time. He went on saying that one of the main objectives of Britain was stabilization; but "it is no use to try to anchor a ship if the anchorage is always slipping".[28] The gist of these words was clear. It was economic recovery, progressing with the help of the economic policy that had been introduced in 1931–32, which was of paramount importance to Britain. Therefore, the Government was not prepared to sacrifice the results, made possible by Imperial protectionism, internal credit expansion, and the skillful managing of the pound. Of course, Chamberlain did not speak of the fact that it was Britain which was responsible, to a significant extent, for the unstable „anchorage" – the monetary situation of the capitalist world.

The reaction of London convinced Morgenthau that Britain, suspicious of American initiatives, might be influenced indirectly only. He concentrated his attention on the French franc which faced again a crisis when the Flandin Government fell in May, 1935. In order to prevent another wave of devaluation he made available, out of the money of the Stabilization Fund, a credit of 200 million dollars to the Bank of France, saving thereby the franc for a time. At the Basle conference of the Governors of European central banks the American action was considered as an encouraging step toward *de facto* stabilization.[29] American measures began to be trusted again. Yet, the French franc remained vulnerable, and speculators continued to spread rumours concerning the inevitable devaluation of the franc. The march of German troops into the Rhineland and the repudiation of the Locarno Pact by Germany in March, 1936, as well as the signs of coming internal political changes in France, gave fresh stimulus to a hysterical flight of capital from France. The Bank of France lost gold, between May 29 and June 5, to the value of 1500 million francs.[30]

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The elections in France secured the victory of the People's Front The Blum Government promised large-scale economic and social reforms economic recovery, and discarding of deflationary policies. It rejected devaluation as well. On June 6 the Prime Minister stated in the National Assembly that the Government intended to promote recovery by providing ample credit.

Though the Blum Government publicly condemned devaluation because of the inflationary effect, the possibility thereof was examined already in the first days of its tenure of office. Behind the scenes Vincent Auriol, Minister for Finance, conducted negotiations at the Paris Embassy of the United States. Morgenthau was glad to receive the informations of the American Embassy, and encouraged the French initiative through Cochran, Secratary to the Embassy. Washington was of the opinion that the situation was suitable for concluding a dollar-pound-franc exchange stabilization agreement, but in view of the isolationist mood of the country and the coming Presidential elections it did not want to take the lead. The Administration, first of all Morgenthau, held that monetary cooperation was bound to cement solidarity of the West. Morgenthau compared the European situation to the days when "Marcia su Roma" had taken place, or to those of early 1933 in Germany.[31] He was inclined to overestimate the political significance of the "monetary entente", and opined that a tripartite agreement might prevent the advance of Fascism, by strengthening Western cooperation. Also domestic considerations spoke for a tripartite agreement. The conservative opposition of the New Deal and the financial circles were launching their offensive. The Supreme Court recently declared the provisions of the Agricultural Adjustment Act and the National Industrial Recovery Act unconstitutional. The Government had to furnish evidence, prior to the elections, that it was serious about the stabilization of the dollar, and that monetary experimentation came definitely to an end. An exchange stabilization agreement was to be the proper gesture to placate conservative feelings.

The fact that the Blum Government declared war on the deflationary policies of its predecessors made the capitalist world believe that the French Government would be compelled to resort to the other alternative, devaluation, or to introduce exchange control, as practised mainly by Fascist states. The franc was overvalued.[32] In strained situations there were two courses open to those in charge of the economic policies of Western countries. One was deflation; various devices of restricting credit, cutting down money incomes and prices, curbing state expenditure, while the gold content of the currency was maintained. The other alternative was internal credit expansion, stimulation of domestic economic recovery, accompanied by devaluation. The French Government had to make a decision. The capitalist world regarded the social and wage policies of the Blum Government as a new burden to be borne by the French economy and as factors contributing to the rise of production costs. The implementation of the said policies, it was held, made devaluation inevitable. The negotiations of Vincent Auriol indicated that the French Government shared such views.

Official American and French plans concerning the solution of the dilemma of France differed to a significant extent. Washington considered a French devaluation as a step leading to the ultimate aim, monetary cooperation between Western democracies. By stressing American freedom of action the Treasury wanted to make clear that a tripartite agreement would in no way modify the monetary policy of the United States, but the partners would be required to alter theirs. Accordingly, the agreement should be carried into effect on American terms, but the initiative should come from Paris. As to France, it was a matter of prestige to conceal the inherent weakness of the franc. The Blum Government entertained hopes of an international monetary agreement, to be initiated by Washington and negotiated under its leadership, and the devaluation of the franc was conceived as a by-product of a general agreement.[33] Paris intended to make the international agreement a pretext for the devaluation, in order to placate the French monopoly capital, still impressed by the "Poincaré franc", and the nation which had voted for the People's Front, promising the improvement of the standard of living.

By the summer of 1936 a certain *rapprochement* took the place of the previous British attitude. London watched with growing anxiety the French internal political situation, and, for fear of the polarization thereof, it made enquiries in Washington concerning the possibility of converting British dollar holdings into gold. In view of the prospect of a renewed attack on the franc and a French embargo on gold exports, London wanted to ensure dollar-gold conversion. The approval of Morgenthau diminished British pressure on French gold stocks.[34] This episode, however, did not alter the fact that the British Government refused to take part in an American *démarche* calling upon France to carry out devaluation. Chamberlain opined that a joint American-British intervention might have been used by France as an opportunity to shifting the responsibility upon those intervening.[35] He was convinced that due to domestic difficulties the French Government was not prepared to devalue.[36]

For some weeks French events seemed to confirm Chamberlain's views. The Blum Government did not make a move. The workers were placated for a while by the wage increases, collective bargaining, the 40-hour week, paid holidays, the public works program, and price controls. A new state agency was to assist farmers by means of a system of guaranteed prices. Industry and commerce were promised credit facilities. The law of July 24, 1936, was to ensure national control over the Bank of France.

Yet, there were certain alarming developments demonstrating that the Government was unable to cope with the difficulties. According to the figures of Auriol, the outflow of capital amounted to 26 000 million francs during the past eighteen months. Due to domestic and foreign political uncertainties gold hoarding was stepped up. The British Exchange Equalization Account supported the franc by purchases of the French currency, but these manoeuvres caused heavy gold losses to France, due to conversions. In the first half of August French gold amounting to more than 13 million pounds per week reached London.[37]

The Blum Government tried to mobilize the money of the public by issuing short-term interest-bearing bonds, to the amount of 10 000 million francs. The outcome was disappointing, however; only 4 000 million francs were subscribed. On September 23 subscriptions were suspended. Securities exported since 1934 and capital held abroad had to be declared; acquisition of foreign banknotes was restricted, sales of gold coins were prohibited, penalties were imposed on those spreading rumours likely to undermine the stability of the franc. All the measures were of no avail. Events accelerated.

The Spanish Civil War precipitated the flight of capital from France. As a counter-measure the bank-rate was raised. The overhasty step which was contrary to cheap-money policies was interpreted as a sign of weakness, but did not stop capital outflow. The money market openly speculated for devaluation. The long delayed step could be no longer postponed. On September 8, 1936, the French Ministry of Finance submitted a provisional draft to the United States and Britain, containing the principles of a tripartite agreement. It called for fixing the exchange rates of the dollar and the pound, and for the devaluation of the franc. Changes in parities were to be allowed by mutual agreement and as exceptional measures only. The ultimate aim was stated to be return to gold.[38]

The draft was rejected in Washington and London. Paris was informed that the United States and Britain were not prepared to fix the exchange rates, and that the return to gold was contrary to their economic policies. Their monetary freedom of action was not to be sacrificed in the interest of French prestige considerations. The French principles, it was felt in both capitals, might be interpreted as a return to a state of affairs whose ills, viz. mass unemployment, economic stagnation, fall of prices, etc., were associated with gold. Morgenthau was annoyed that Washington was not informed by Paris about the planned extent of the devaluation. Chamberlain stated that Britain would refrain from imposing retaliatory measures against the devalued franc.[39]

A new, more detailed French draft was rejected, too. The document was based on the principles of the first draft. It envisaged a joint declaration to be signed by the Premiers and Ministers of Finance of the three countries. Categorically worded obligations were enumerated, and the priority of international cooperation, as opposed to domestic economic policy, was stressed. Only a single sentence of the lengthy text was devoted to the devaluation of the franc, indicating that in this context the French move was a subordinate one. This was unacceptable to Washington. In view of domestic developments Morgenthau had to proceed cautiously. Attacks were launched on the monetary policy of the Administration from two directions.

In a letter of September 2, 1936, Senator Vandenberg, a leading isolationist, expressed concern in respect of gold purchases at 35 dollars per ounce. In this way, he complained, foreign citizens were enabled to buy American securities with the dollars obtained, while debtor states were in default on their war debts. Thus, the Administration was in fact financing Europe at the expense of the American taxpayer. Vandenberg's allegations echoed the views of conservative banking circles and of isolationists. In reply to this letter Morgenthau rejected the contention that the cause of the gold flow to the United States was the price of gold. Instead, the Secretary of Treasury stressed the political and economic uncertainties, pointing out that the elimination thereof would contribute to a change in the direction of the gold flow.[40] The banking circles were right in criticizing the gold inflow which aggravated international disequilibrium and was a potential inflation danger. Yet, this criticism was not based on concern about international disequilibrium, but rather on the considerations of the Republican opposition. Besides, the banking circles objected to the violation of the rules of the game of the gold standard (viz. the one-way gold flow). By suggesting a change in the direction of the gold flow Morgenthau opened up new vistas which seemed to be in line with the desires of the banking circles. A reduction of the gold price (the rise of the dollar exchange rate respectively) was out of the question, however. This would have been contrary to the aims of the New Deal.

On the other hand, the new monetary policy had to be defended against those who did not want to give up monetary experimentation, the efforts to raise the internal price level by means of monetary devices. In order to placate public opinion Roosevelt made clear that a tripartite agreement would not mean a return to the gold standard, and the adhering countries would be free in respect of their decisions concerning the domestic price level. He went on saying as follows: „Because we have too much gold bullion for American needs, this will provide an opportunity for other countries to acquire a part of the excess, thus stimulating world trade."[41]

It is noteworthy that the Administration stressed the significance of a two-way flow of gold and of freedom of action. In doing so it wanted to make its monetary policy acceptable to conservatives and New Dealers alike. The statement of Roosevelt seemed to pacify the latter, because it emphasized the continuation of domestic price raising policies, while the former could find a hint in the President's words concerning the revival of a criterion of the gold standard mechanism. The fact that the new monetary policy was to promote world trade was acceptable to all. Those interested in international trade remembered the prosperity and the American export offensive of the twenties, while the revival of American export trade promised to the protagonists of the New Deal new opportunities in stimulating domestic recovery.

Despite the rejection of the French proposals the conclusion of the tripartite agreement was only a matter of time. Morgenthau received word about the planned extent of the devaluation of the franc. It was satisfactory from the point of view of the future position of the dollar. The British authorities agreed, too. An adequate procedure had to be found, enabling the two governments to become parties to the proposed tripartite agreement, without modifying economic policies in force at the time. Morgenthau solved the dilemma by stressing the continuity of American monetary policy. On his instructions a draft was prepared in the Treasury which emphasized that the constant object of American policy, pursued in recent years, was to maintain the greatest possible equilibrium in the system of international exchanges, and to avoid the creation of any disturbance of that system by American monetary action. Thus, Morgenthau whitewashed American measures of 1933–34, disregarding the fact that the capitalist world still remembered them. However, in the months when American monopoly capital stepped up the attacks on the Administration, and Presidential elections were impending, this course seemed to be the right one. Besides, the need for Western economic cooperation demanded razing the failure of the World Economic Conference from the memory of the capitalist world, the more so since that failure had been attributed to the United States.

According to the American draft, the only thing which pointed to a radical change in international monetary relations was the adjustment of the value of the franc, which was to ensure stability of the principal currencies. In this context, it was France which had to modify her monetary policy by accepting the American platform, aimed at establishing more solid foundations for the stability of international economic relations, and by availing herself of the assistance extended by the United States. The text made no mention of the gold standard or fixed exchange rates, and the equilibrium of the exchanges was referred to as an undefined aim. The draft did away with the treaty form, as suggested by the French. Instead, it was a declaration, to be published in similar terms simultaneously by the three governments. Thus, even the form contributed to weakening the commitments of the signatory powers.

On October 6, 1936, Chamberlain made a statement which, by implication, revealed why the American draft was acceptable to London. "Sterling is still free", he said, "it is not linked to gold or to any other currency."[42] The statement thus confirmed that freedom of action in monetary matters continued to be one of the fundamental principles of British economic policy. It also reflected a problem of contemporary economic thought. The consequences of deflationary policies that had been introduced in the difficult years between 1925 and 1931, and the rule of gold in Britain, were still remembered. Too much inflammatory matter, produced by persistent efforts designed to maintain the exchange rate of the overvalued pound, accumulated in the course of the said years. Public opinion held the gold standard responsible for the ills of the economy of the 1925–31 period; deflation, accompanied by the fall of wages and prices, unemployment, economic stagnation, were associated with the gold standard. Economic thought attempted to analyze the development of the process which had culminated in the fall of the pound in autumn 1931. It examined the interaction of domestic and foreign price levels on the one hand, as well as that of the price level and the exchange rate, on the other. It considered the effects of the bank-rate policy, and the alternatives of currencies with fixed par values and of managed currencies. It investigated the possibilities of equilibrium below full employment level. Meanwhile the British Government continued to implement its pragmatic policies to which it had committed itself in 1931–32. The same was done by the American Government which relied on post-1933 experiences.

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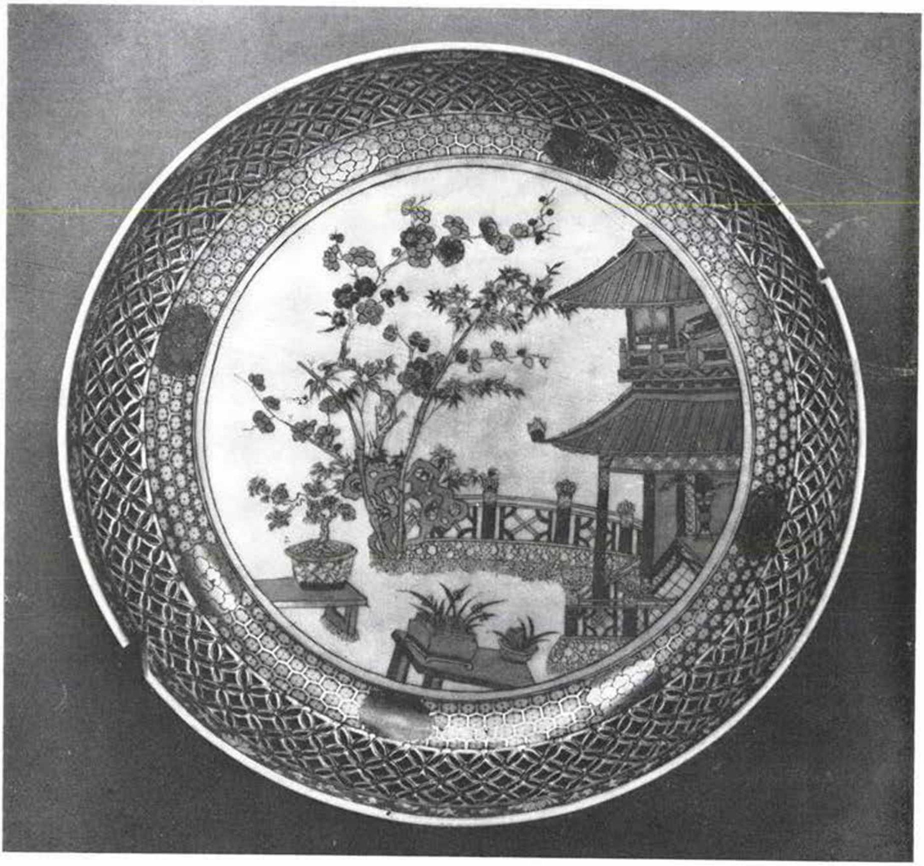
Washington and London repeatedly emphasized that no pressure was brought to bear on Paris. Yet, events proved the contrary. Morgenthau informed Auriol to the effect that the only alternative of concluding a tripartite agreement was to accept the American draft. During the protracted talks the position of the franc continued to deteriorate. The French Government had to give up the idea of a multilateral treaty, containing mutual obligations, according to which the devaluation of the franc would have been subordinated to the readjustment of monetary relations.

The identical texts of the declarations, made public on September 25, 1936, had a wording that was almost bordering on commonplace. It did not indicate the ways and means of implementing the principles concerning monetary cooperation and exchange stability. The only part

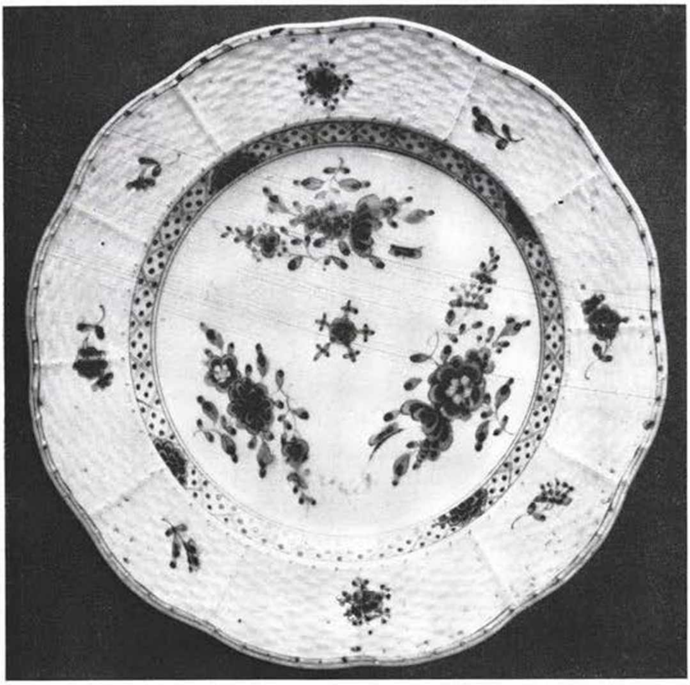
1. Mokkaservice, in der Sammlung der Ermitage zu Leningrad.

2. Teetasse mit Unterschale, im Museum der Porzellanfabrik zu Herend.

3. Vase mit Deckel, in der Modellsammlung der Porzellanfabrik zu Herend.

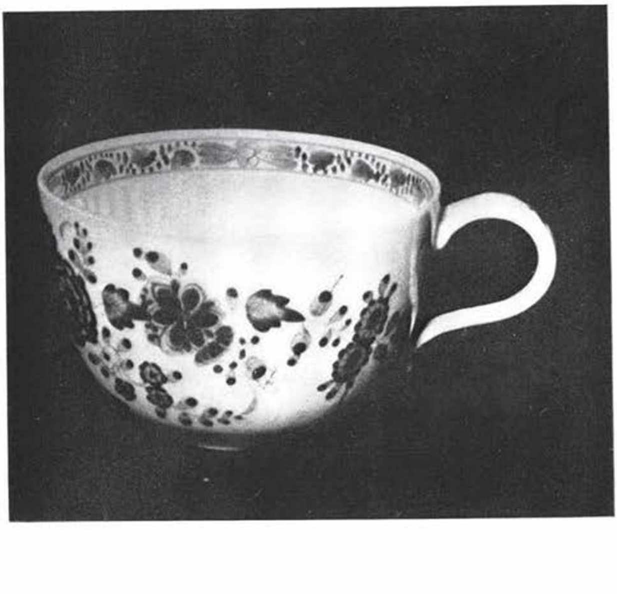


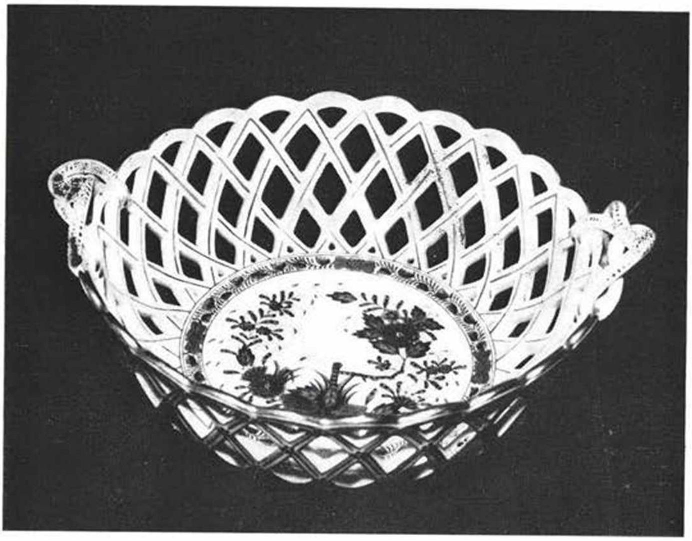
4. Prunkschale mit durchbrochenem Rand, in der Sammlung der Ermitage zu Leningrad.



5. Dessertteller, in der Sammlung der Ermitage zu Leningrad.

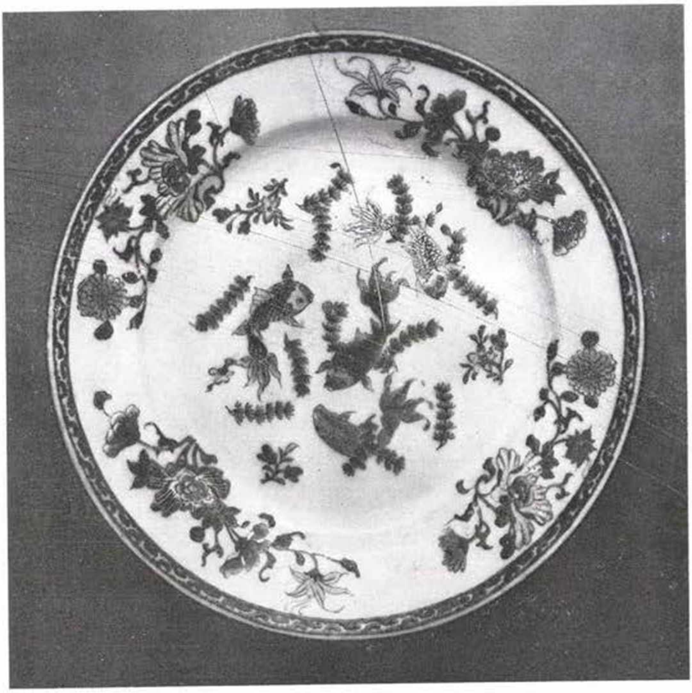
6. Tasse, im Museum der Porzellanfabrik zu Herend.





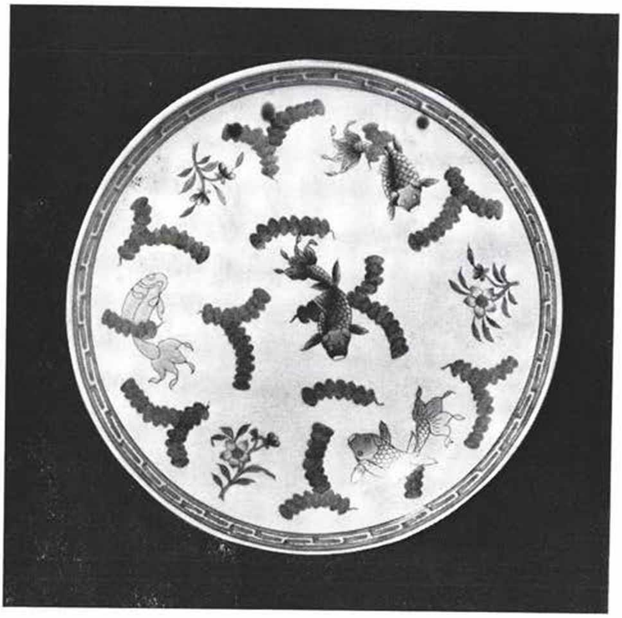
7. Durchbrochenes Körbchen, in der Modellsammlung der Porzellanfabrik zu Herend.

8. Flacher Teller, im Museum der Porzellanfabrik zu Herend.

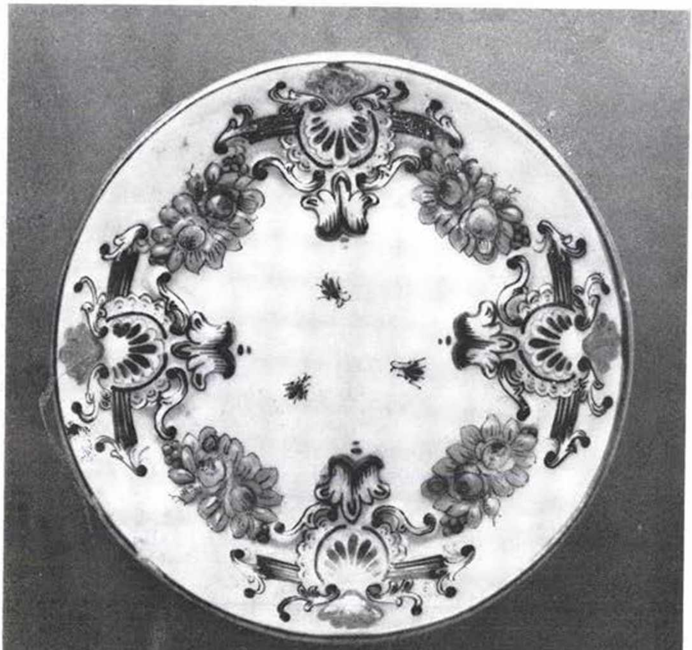


9. Flacher Teller, in der Sammlung der Ermitage zu Leningrad.

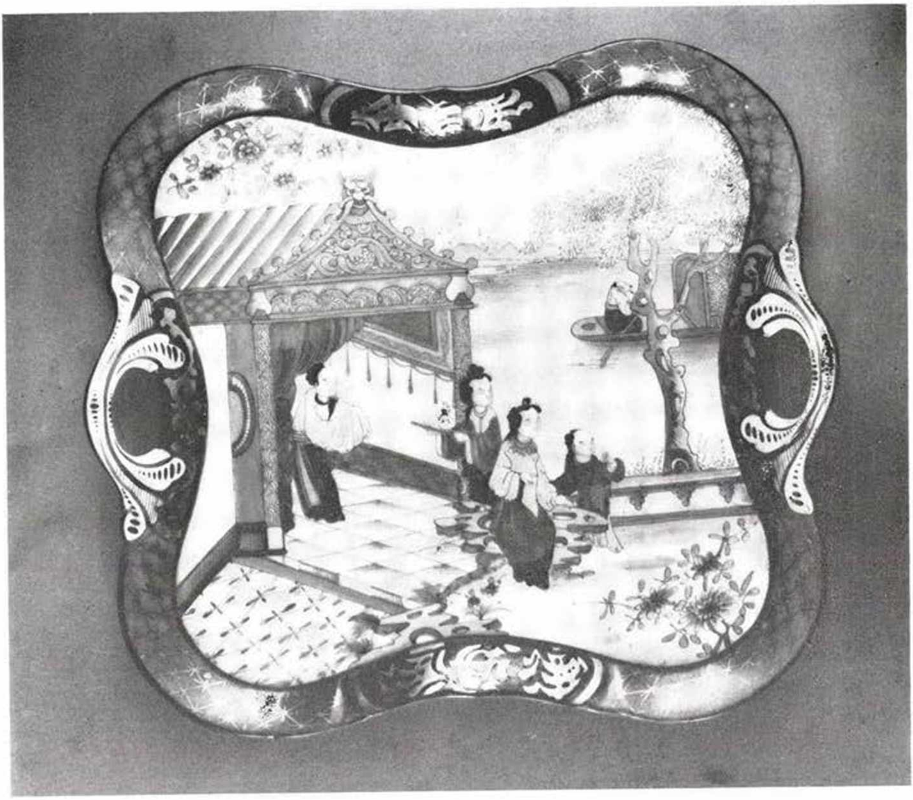
10. Suppenteller, im Museum der Porzellanfabrik zu Herend.



11. Teller, in der Modellsammlung der Porzellanfabrik zu Herend.



12. Untertasse, in der Sammlung der Ermitage zu Leningrad.



13. Prunkschüssel mit zwei Henkeln, in der Sammlung der Ermitage zu Leningrad.

of the texts, worded in a concrete manner, was the one dealing with the devaluation of the franc, which was stated to be welcomed by Washington and London. As to the maintenance of equilibrium in the system of international exchanges, one of the main objects of Western monetary cooperation, the texts merely stated the intention of the three governments to continue to use their available resources, in order to avoid any disturbance of the basis of international exchanges resulting from the readjustment of the franc. The fact that no retaliatory devaluations were permissible under the agreement could be read between the lines only. The agreement had no such proviso. It did contain, however, two sentences which, in fact, amounted to such an intention of the contracting parties. They read as follows: "The Governments of the United States, the United Kingdom, and France, desire and invite the cooperation of the other nations to realize the policy laid down in the present declaration. They trust that no country will attempt to obtain an unreasonable competitive exchange advantage . . ." As the biographer of Morgenthau put it, this part of the declarations was inserted in the text at the instance of the Secretary of Treasury, in order to warn the Fascist states.[43] Thus, it was the above proviso which informed students of the Tripartite Monetary Agreement that competitive exchange depreciation, a formidable weapon of the early thirties, was in fact outlawed for the future.

The Agreement did not halt monetary uncertainty. On October 1, 1936, the French Parliament approved the devaluation of the franc, ranging between 25,2 and 34,4 per cent. The task of safeguarding the stability of the franc was assigned to the Exchange Equalization Fund, established on the model of the agencies of the United States and Britain. The resources of the Fund amounted to 10,000 million francs, resulting from the increase in the book-value of the gold stocks of the Bank of France. The increase was due to the devaluation of the franc; the gold stocks were revalued. Yet, the question as to what kind of international mechanism was to guard the operation of the new system of monetary relations remained unanswered. London and Paris were waiting for Washington's answer.

A fortnight later the American Treasury issued a statement. The capitalist world was, at last, informed of the American interpretation of the vaguely worded provisions of the Tripartite Agreement regarding monetary cooperation. The Treasury announced that in future the exportation of American gold would be permitted for exchange equalization accounts or stabilization funds of countries, ready to offer gold to be purchased by the United States at prices and terms acceptable to the latter. The Treasury further announced the so-called 24-hour policy, according to which the countries, eligible for the purchase of American gold, would be determined daily by the United States. Thus, the permission regarding the export of American gold could be revoked or altered at any time, subject to a day's notice.[44]

The announcement of the Treasury in fact proclaimed a state of perpetuated uncertainty. The fact that Britain and France were declared eligible for the purchase of American gold did not alter essentially this state of affairs. The 24-hour policy was a tactical step, designed to solve the dilemma of the Administration. The announcement of the Treasury took the wind out of the opposition's sails. The Administration was, namely, in a position to point out to conservative opponents, as well as to protagonists, of the New Deal that the United States did not commit herself to untried policies of the newly established monetary cooperation because, by virtue of the 24-hour policy, she remained free to act. Those devoted to the gold standard were enabled to hope for a return to the idealized state of affairs that had existed prior to 1933. On the other hand, those defending New Deal policies could consider the freedom of action of the Administration as a safeguard against involvement in international monetary troubles. Another aspect of the matter was that the arrangements of the Treasury made provision for the exception to the rule as well, in that France and Britain were declared eligible for the purchase of American gold. By making this provision the United States committed herself to monetary cooperation, designed to promote economic collaboration on a wider plane, in order to strengthen the West. But the American commitment was double-faced. The 24-hour policy made it ambiguous, in that it reduced monetary cooperation to an *ad hoc* level, thus repudiating assumptions to the effect that the United States committed herself definitely to cooperating with Western Europe.

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The Tripartite Agreement heralded the end of an era, and opened a new one. It was the final act of a period that had begun in 1931, and touched bottom in 1933. The main features of the said period were various monetary manoeuvres, carried out unilaterally by capitalist states at the expense of others, making possible temporary advantages only, and provoking retaliation. Those monetary manoeuvres, coupled with non-monetary ones, were parts of a formidable arsenal of economic isolation and cut-throat competition. The process that had lasted but a few years brought home instructive lessons to the capitalist world. In monetary matters the lesson was that the value of the advantages, ensured by the said manoeuvres, was not significant and their effect was short-lived. It was gradually realized that it would have been foolish to disregard the long-run interests of Western economic collaboration. In 1933, at a time when the World Economic Conference was sitting, monetary cooperation did not prove feasible, a fact that was attributed to Washington's attitude. Subsequent developments warned, however, that freedom of action was compatible with international collaboration. It should be pointed out that the considerations, underlying the 1936 Tripartite Monetary Agreement, outdid the 1933 concept. It was no longer a monetary "truce" which was at stake. The Agreement stipulated for permanent monetary cooperation, though weakened by the 24-hour policy.

The realization by the Western world of the need for permanent cooperation pointed to the advent of a new era. This era had begun in 1936, and entered another stage after 1945. The developments of the short period, covering the years from 1936 till 1939, were different, however, from those of the post-1945 years. The 1936-1939 period was, in fact, a transition to the postwar epoch. In the course of the latter, the blueprints of postwar monetary planning came to be realized, and the International Monetary Fund, a permanent institution of the capitalist world, was established. In view of the fact that the basic principle of the 1936–1939 period was cooperation in the monetary field, those few years might be linked, as far as the *aim* was concerned, with the post-1945 epoch rather than with the 1931–1936 period when the international monetary scene had been dominated by centrifugal forces.

Yet, as far as the *methods* were concerned, the 1936–1939 period, and its product, the Tripartite Monetary Agreement, might be linked with the 1931–1936 period. The Agreement did not stipulate for the approval by an international organization of the proposed changes in the par values of the currencies, nor did it provide funds, designed to alleviate difficulties of the balances of payments. Both were done within the framework of the Bretton Woods system. Under the Tripartite Monetary Agreement the stability of the exchanges was to be ensured by the transactions in gold and foreign exchange, carried out by the cooperating Exchange Equalization Funds or Stabilization Funds of the countries adhering to the Agreement. This mechanism was based on the traditional cooperation practice of the central banks. The governments did not assume an obligation regarding the maintenance of exchange stability. The latter became a problem to be solved within the Bretton Woods system.

Nevertheless, the 1936 gentleman's agreement did have a new feature. It was a higher degree of state intervention in the monetary field. The said agencies, entrusted with the task of regulating the exchange rates, were, in fact, organs set up by the monopoly capitalist state. Their establishment indicated the need for new types of institutions, indispensable to the functioning of the capitalist system, and gave a proof of the development process of state monopoly capitalism. The quasi-automatic function of the gold flow, viz. the equalization of domestic and foreign price levels, ceased to operate. This function had become, in fact, a thing of the past ever since the Great Depression, but the capitalist world was unable to give up the illusions, associated with the harmonious progress of capitalism and with the gold flow, despite the fact that events gave evidence of the opposite. The 1936 Agreement put an end to those illusions, and the leading Western states had to admit this. Nevertheless, certain illusions in respect of the freedom of the market economies survived, and were encouraged by the existence of the gold markets and the mutual convertibility of the principal currencies. This did not alter the fact, however, that it was the state which controlled the main levers of the various spheres of economic relations. The gold standard ceased to exist, despite the fact that much was said after 1936 of a "reformed" gold standard. Its last stronghold, the gold bloc collapsed; its members followed the example of France, and joined the Tripartite Monetary Agreement. Gold, a previous symbol of rising capitalism and of private enterprise, became a medium of state transactions; its fundamental role was essentially the final settlement of the balances of payment.

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Section 4 of the Tripartite Agreement stressed the link between the success of the monetary policy and the development of international trade. This interpretation of the said interaction points to the concept adopted by postwar planners. Postwar planning, carried out in the course of World War II, envisaged a homogeneous system of economic relations, and laid the foundations of specialized international organizations, each forming part of a massive edifice. However, under the conditions of the second half of the thirties, monetary cooperation could not be supplemented by a comprehensive convention covering the field of international trade. The main obstacle was that Anglo-American trade relations were strained, due largely to the operation of the preferential system of the British Empire. Simultaneously with the preparatory steps, aimed at the realignment of monetary relations, Washington made efforts concerning the conclusion of an Anglo-American trade agreement, too. The British Government's response was cool, however. The Anglo-American trade agreement was completed only after protracted negotiations, in the fall of 1938. The agreement, signed by the chief rivals in international trade, could not become the hard core of Western commercial cooperation. There were two main reasons for this. First of all, only a few months were left until the outbreak of World War II. Further, the establishment of a multilateral trade system of the capitalist world, based on American commercial policy principles, would have demanded a shift in Anglo-American power relations. This was to take place during the war, at the expense of Britain.

The Tripartite Monetary Agreement was a prelude to a permanent economic cooperation between Western countries. The first step was not followed by others, however. The process came to a standstill. The conditions of the thirties did not lend themselves to the creation of a multilateral economic area, freed from its internal barriers and heading for a higher degree of integration. Views stressing the prospects of capitalist economic integration, voiced mainly in the League of Nations, or developed in the silence of studies, remained sterile theories in those years. The Tripartite Monetary Agreement itself was put to a test. France continued to be the vulnerable part of Western monetary cooperation. In 1937, the maintenance of the stability of the devalued franc proved impossible. The validity of the Tripartite Agreement was challenged. The decision of Washington and London was that a collapse of Western monetary cooperation was to be avoided. On July 1, 1937, they informed Paris that the Agreement was to be upheld.

The decision of the United States and Britain marked the limits of Western economic cooperation prior to World War II. The fact that they decided to uphold the Tripartite Agreement furnished evidence of their readiness to continue to cooperate in the monetary field. But, at the same time, they made clear that the methods were to remain unchanged, despite the fact that the Agreement proved inadequate for ensuring a lasting stability of monetary relations and for promoting the consolidation of the international economy. Yet, the fundamental obstacles to a higher degree of monetary cooperation were not the inadequacy of the technical arrangements, provided for by the Agreement, and the lack of a mechanism promoting integration. Ideas were in the offing in this respect. A vigorous encouragement on the part of the governments as well as an atmosphere conducive to unequivocal Western collaboration might have given impetus to the evolution of such ideas; the concept of an adequate mechanism might have been developed. Such incentives were not forthcoming, however. This was the main reason why Western monetary cooperation could not reach a more advanced stage, and got stuck at the 1936 level.

Chief determinants of international economic cooperation were the foreign policies of the Western democracies. These policies set limits to monetary cooperation. Efforts, aimed at developing an active American foreign policy ready to assume obligations in the international scene, were hampered by the determination of the Administration to keep out of world conflicts. British foreign policy was dominated by the practices of the "appeasers". The makers of French foreign policy committed themselves to a course contrary to the interests of France. Thus, French foreign policy could not become a pillar of Western collaboration either. The foreign policies of Western democracies ruled out the possibility of close economic ties which could have been regarded by the Fascist states as a prelude to an attempt to forming a political bloc. Washington, London, and Paris, wanted to avoid such a contingency. In fact, economic collaboration, based on unequivocal anti-Fascist political considerations such as proposed by Morgenthau, was alien to foreign policies of the three Western democracies, chiefly to those of Britain and France, being directly interested in European affairs.

The provisions of the Tripartite Agreement which called for the progressive relaxation of the system of quotas and exchange controls with a view to their abolition, and invited other countries to cooperate, in fact reflected the economic aspect of political "appeasement". It was well-known that the devices, referred to by the Agreement, were employed chiefly by Fascist states. Thus, the invitation to cooperate could be interpreted in such a way that certain promises on the part of Rome and Berlin regarding the moderation of the devices, condemned by the Tripartite Agreement, might enable the Fascist states to join Western economic cooperation. Events which took place prior to the outbreak of World War II gave evidence of the fact that the concept of the Tripartite Monetary Agreement, referred to above, was akin to other actions aimed at economic "appeasement". The Van Zeeland mission should be mentioned in this respect.

NOTES

1 The last measure in the process of the dethronement of gold took place on June 3 when a Congressional resolution abrogated the gold clause in public and private contracts. Consequently, contractual obligations could be met at face value of the dollar.

2 Quoted by *Arthur M. Schlesinger, Jr.:* The Age of Roosevelt. The Coming of the New Deal. London – Melbourne – Toronto, (1960). p. 43.

3 *Schlesinger:* op. cit., p. 97.

4 *H. V. Hodson:* Slump and Recovery 1929 – 1937. London – New York – Toronto, 1938. pp. 220 – 221.

5 George Warren, Professor at Cornell University, based his proposals on the evidence furnished by statistical data, and took for granted a direct relationship between the changes in the price of gold and those in the prices of goods. He asserted that the prices of goods increase parallel with, and in proportion to, the rise of the gold price. Another assumption of Warren was that, due to a more flexible response of agricultural prices to inflationary or deflationary pressures, the expected price increases would contribute first to improving the lot of the farmers, by bringing about a more balanced price structure. Thus, the chief beneficiaries of an increase in the gold price would be the farmers. Cf. *John Morton Blum:* From the Morgenthau Diaries. Years of Crisis, 1928 – 1938. Boston, 1959. pp. 61 – 68.

6 Quoted by *Hodson:* op. cit., p. 222.

7 *Blum:* op. cit., pp. 120 – 121.

8 *Hodson:* op. cit., pp. 225 – 226.

9 Ibid., pp. 226 – 227.

10 *Blum:* op. cit., p. 125.

11 For an account of the World Economic Conference, see *I. Láng:* A Roosevelt-kormányzat első évének gazdaságpolitikai dilemmája. (Economic policy dilemma of the first year of the Roosevelt Administration.) Századok, 1974. No. 1. pp. 136 – 185.

12 *Blum:* op. cit., pp. 121 – 122.

13 For the operation of the sterling bloc, see *W. M. Scammel:* International Monetary Co-operation. London, 1957. pp. 236 – 239.; *A. C. L. Day:* The Future of Sterling. Oxford, 1954. pp. 35 – 51.; *Brian Tew:* International Monetary Co-operation, 1945 – 63. London, (1963). pp. 117 – 119.

14 For the statement of Bruce, see *Hodson:* op. cit., p. 165.

15 Ibid.

16 For an account of the Ottawa Conference, see *Hodson:* op. cit., pp. 164 – 171.

17 Quoted by *Hodson:* op. cit., p. 171.

18 *Hodson:* op. cit., pp. 295 – 296.

19 The value of the gold stocks of the gold bloc amounted to 4,275 million dollars in 1933 and to 4,399 million dollars in 1934 (at the old parity of the dollar). Out of this, about 70 per cent. belonged to France. In the same two years, the United States possessed gold stocks to the value of 4,013 million dollars and 4,866 million dollars, respectively. Gold stocks possessed by Britain amounted to 933 million dollars and 938 million dollars. Cf. World Economic Survey, 1934 – 35. League of Nations. Geneva, 1935. p. 250.

20 Declaration by the Representatives of Belgium, France, Italy, the Netherlands, Poland, and Switzerland, 3 July 1933. See *Sidney Pollard – Colin Holmes:* The End of the Old Europe 1914 – 1939. (London, 1973.) p. 392.

21 Communiqué of the gold bloc of September 25, 1934, and Protocol of October 20, 1934. *Pollard – Holmes:* op. cit., pp. 392 – 393.

22 Report of the Director of the International Labour Office. *Pollard – Holmes:* op. cit., pp. 394 – 395.

23 French Tariffs. *Pollard – Holmes:* op. cit., pp. 395 – 398.

24 *Henry Strakosch:* The Money Tangle of the Postwar Period. Lessons of Monetary Experience. London, (1937). pp. 165 – 166.; World Economic Survey, 1934 – 35. pp. 26, 34.

25 Federal Reserve Bulletin, January 1937.

26 *Blum:* op. cit., p. 132.

27 Ibid., p. 133.

28 World Economic Survey, 1934 – 35. pp. 227 – 228.; *Hodson:* op. cit., p. 386.

29 *Blum:* op. cit., pp. 137 – 138.

[30] *Hodson:* op. cit., p. 403.
[31] *Blum:* op. cit., pp. 145 – 146.
[32] Computations, based on cost-of-living index numbers, indicated that the franc was overvalued 34 per cent. against the pound and 54 per cent. against the dollar. (Data refer to September, 1935.) *Hodson:* op. cit:, pp. 403 – 404.
[33] *Blum:* op. cit., pp. 147 – 148.
[34] Ibid., pp. 144, 159.
[35] Ibid., p. 147.
[36] Report of Atherton, American Chargé d'Affaires in London, dated June 15, 1936, on a discussion with Chamberlain. Foreign Relations of the United States. Diplomatic Papers. 1936. Vol. I., p. 538. (Hereafter referred to as FR).
[37] *Hodson:* op. cit., pp. 410 – 413.
[38] For the text of the draft, see telegram of Wilson, American Chargé d'Affaires in Paris, dated September 9, 1936. FR 1936. Vol. I., pp. 543 – 545.
[39] Chamberlain's promise amounted to abstaining from introducing discriminatory t riffs against French goods, and from stimulating a further depreciation of the pound. Ibid., pp. 548 – 550.
[40] *Blum:* op. cit., pp. 167 – 168.
[41] Ibid., p. 168.
[42] Quoted by *Hodson:* op. cit., p. 416. – This categorical statement was accompanied by a vague hint regarding the return to "an international monetary standard" in the distant future. "Of course", he said, "it will be necessary before we do that to provide security against those violent fluctuations in the value of gold as expressed in terms of commodities which have occasioned so much disturbance in recent years." Ibid., pp. 416 – 417. These noncommittal words apparently served to placate anti-gold sentiments in Britain.
[43] *Blum:* op. cit. p. 167. For the text of the declarations, see *Pollard – Holmes:* op. cit., pp. 424 – 425.
[44] For details of the American gold policy, see a telegram of Morgenthau, dated September 23, 1936. FR 1936. Vol. I. , pp. 557 – 558.